

**ASSEMBLY REPUBLICAN LEADER
DAVE COX**

**THE 2001 BUDGET ACT
FINAL BUDGET SUMMARY**

ASSEMBLY REPUBLICAN TALKING POINTS



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**Overview of the
State Budget Act for 2001-02
Chapter 106, Statutes of 2001 (SB 739, Peace)**

On July 26, 2001 the Governor signed into law the state budget for the 2001-02 fiscal year. As signed, the budget provides for spending of \$103.3 billion in 2001-02, of which \$78.8 billion is from the General Fund, \$21.3 billion from special funds, and \$3.2 billion from selected bond funds. In acting on the budget, the Governor vetoed \$554 million in spending (-\$534 million General Fund), and these actions increased the General Fund reserve by a corresponding amount, from \$2.1 billion to \$2.6 billion. These figures are summarized in Table 1.

**Table 1
Summary of Revenues, Expenditures and the Reserve
2001-02 Budget Act
(dollars in millions)**

	Governor's January Budget	Revised Proposal (May)	Conference Version	Budget As Signed	Difference from Conference Version
Beginning Resources	\$6,557	\$6,645	\$6,935	\$7,055	\$120
Revenues & Transfers	<u>76,434</u>	<u>74,842</u>	<u>75,118</u>	<u>75,105</u>	<u>-13</u>
Total Resources Available	\$82,991	\$85,487	\$82,053	\$82,160	\$107
Expenditures	\$82,853	\$79,676	\$79,297	\$78,763	-\$534
Fund Balance	\$3,139	\$1,811	\$2,756	\$3,397	\$641
Budget Reserves					
Economic Uncertainties	\$1,937	\$1,010	\$1,955	\$2,596	\$641
Liquidation of Encumbrance	701	701	701	701	0
Set-Asides	500	100	100	100	0

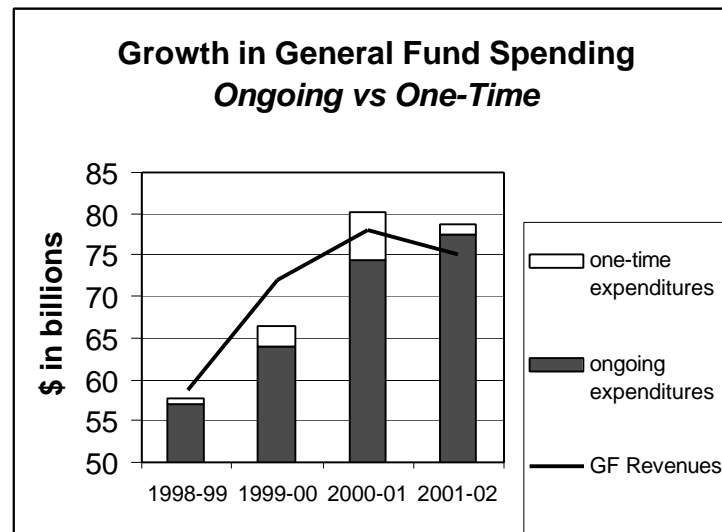
Revenues Include Tax Increase. The \$75.1 billion revenue total for 2001-02 includes \$548 million in revenues resulting from a ¼ cent sales tax increase which will take effect on January 1, 2002. This increase will occur because of the budget's failure to maintain a sufficient reserve level, which by law triggers the tax increase. The revenue totals also reflect the effects of various targeted tax relief programs enacted as part of the budget (see Tax Relief discussion).

Governor's Vetoes. Of the \$554 million vetoed by the Governor, by far the largest amounts of funds were taken from K-12 and Higher Education. These two areas of the budget sustained a total reduction of \$308 million, with almost \$126 million of that coming from Community Colleges alone. Other major program areas receiving large reductions included Health and Human Services programs (\$103 million), Business and Transportation programs (\$92 million) and Resources programs (\$34 million).

Growth of Government. The 2001-02 General Fund budget total of \$78,763 million represents a nominal reduction in spending of \$1.3 billion from the spending total for 2000-01. However, this conclusion masks the fact that spending for *ongoing* programs in the 2001-02 Budget actually shows a significant increase over the 2000-01 expenditure level. There are two reasons for this. First, 2001-02 expenditures are artificially reduced by \$402 million due to the shifting of existing General Fund costs for health programs to the new Tobacco Settlement Fund, created in this year's budget. Adjusting for this change, the year-to-year reduction in total spending is actually \$922 million

instead of \$1.3 billion. Second, the 2000-01 Budget included over \$5.5 billion in one-time expenditures, expenditures which did not need to be maintained in the 2001-02 Budget. The 2001-02 Budget also includes one-time expenditures, but at a much lower level – only about \$1.2 billion in total. Adjusting the totals for each year to exclude these one-time expenditures and include the Tobacco Settlement Fund costs allows us to see that the ongoing program costs of government have increased by almost 5 percent between the two years. This is graphically illustrated in Chart 1.

Chart 1



The continuing growth of state government under this administration is further evidenced by recently released statistics on the number of state employees. These figures show that since the 1998-99 fiscal year, state employees have increased from about 286,000 to over 316,000 employees. That is an increase of about 12.5 percent, compared to growth in the number of California citizens over the same period of about 5.4 percent.

Sales Tax Trigger. As signed by the Governor, the Budget provides for a reserve of \$2.6 billion, or 3.5 percent of revenues. This reserve amount is not sufficient to prevent the additional ¼ cent sales tax from taking effect on January 1, 2002 pursuant to existing law, despite a new law relaxing the sales tax trigger threshold. That law requires that the reserve be equal to 3 percent of General Fund revenues, *excluding* an amount equal to the revenues generated by the ¼ cent sales tax during the January through July period. (See discussion of sales tax trigger under tax relief section). In order to meet that threshold, the budget's reserve would need to be approximately \$2.8 billion for the 2001-02 fiscal year.

EDUCATION

The budget provides \$45.4 billion in Proposition 98 funding, which includes \$31.9 billion in General Fund appropriations. While the budget overappropriates the minimum guarantee by approximately \$4 billion, funding falls short of the Test 2 level in 2001-02 by approximately \$1.5 billion. This “shortfall” will be paid as a maintenance factor in the 2002-03 fiscal year. With respect to K-12 education spending, the budget reflects an increase in per-pupil funding of 4.9 percent from \$6,678 in 2000-01 to \$7,002 in 2001-02. In addition, the budget provides a 3.87 percent COLA for K-12 programs at a cost of \$1.4 billion, and covers expected enrollment growth of 1.40 percent at a cost of \$565 million.

K-12 EDUCATION

- ***K-12 Revenue Limit Equalization – (\$40 million).*** The budget package provides \$40 million to begin to equalize revenue limits for 90 percent of the state’s ADA, with the intent to equalize by 2006-07. Republicans proposed spending \$400 million for equalization, the full cost of equalizing revenue limits at the 90 percent target. While it has been determined that the state meets the legal standard of *Serrano*, significant disparities among districts still exist. This funding is an important step towards ensuring that all students have an equal educational foundation.
- ***Governor’s Initiatives Deferred for one Year.*** The administration deferred the proposals to extend the middle school year and to provide incentives to school districts to enroll more students in algebra. The extended school year proposal was the most controversial of the Governor’s initiatives, due to the large out-year cost, the lack of research to support the proposal, and concerns from schools, teachers, and parents.
- ***School Energy Block Grant - (\$250 million).*** The budget provides \$250 million in one-time funds for block grants to schools on a per-ADA basis to help defray energy costs. Schools may use the funds for energy conservation measures, increased energy costs, career/technical education one-time purposes, or any other one-time educational purpose. The Governor’s May Revision originally proposed \$541 million in school energy funds from prior-year Proposition 98 settle-up funds. Of that amount, \$188.5 million was determined to be an error in the calculation of the settle-up obligation. The remaining \$352 million was reduced to \$250 million for school energy.
- ***Low-Performing Schools Block Grant – (\$200 million).*** The budget provides \$200 million for a low-performing schools block grant pursuant to legislation to be enacted in the 2001-02 session. Schools will be provided with grants of up to \$400 per pupil to improve student achievement. A conference committee will be convened in August to consider a package of legislation for this program.
- ***Targeted Instructional Improvement Grant.*** The budget package consolidates the Court-Ordered Desegregation, Voluntary Integration, and Economic Impact Aid Programs into a block grant. Districts will receive the same funding in 2001-02 and subsequent years that they were allocated in 2000-01 plus applicable growth and COLA (approximately \$1.2 billion in 2001-02). Priority for use of the funds would be, first, to fund court-ordered desegregation if a court order is still in force, and, second, to provide instructional improvement for the lowest achieving pupils in the district. While the block grant repeals the statutes related to these programs, it perpetuates funding disparities among districts by freezing present allocations of desegregation funds and Economic Impact Aid.

- **Mathematics and Reading Professional Development Program – (\$80 million).** The budget provides \$80 million in one-time funding for the first year of the Mathematics and Reading Professional Development Program, which will provide standards-based training to 249,000 K-12 teachers and 22,000 instructional aides over a four-year period.
- **Principal Training Program – (\$15 million).** The budget provides \$15 million in one-time funds for the first year of this program to provide professional development over a three-year period to 15,000 principals and vice-principals in the academic content standards, use of assessments, financial and personnel management, and instructional leadership.
- **High Tech High Schools – (\$10 million).** The budget provides \$10 million in one-time funds to establish 10 high tech high schools throughout the state over two years. The administration intends to provide an additional \$10 million in 2002-03.
- **School Readiness Initiative – (\$3 million).** The budget provides \$3 million for the development and validation of assessment instruments to determine children's readiness to learn prior to entering school, in cooperation with the Children and Families (Proposition 10) Commission.
- **Nell Soto Parent/Teacher Involvement Program – (\$15 million).** The budget provides \$15 million in one-time funds for the Nell Soto Parent/Teacher Involvement Program, which was enacted in 1999 to provide funding for teachers to do home visits to discuss school performance with parents.
- **High School Exit Exam Student Workbooks – (\$3 million).** The budget provides \$3 million in one-time funds to provide student workbooks for the High School Exit Exam. The Governor's Budget contained \$28 million to provide student workbooks for both the STAR and the High School Exit Exam.
- **PERS Reduction – (\$35 million).** The budget provides \$35 million in one-time funds pursuant to legislation for a partial suspension of the PERS Reduction, which allows the state to recapture revenue limit funding resulting from the reduction in the required PERS employer contribution for districts and county offices.
- **English Language Development (ELD) Test – (\$2.25 million).** The budget provides \$2.25 million in one-time funds to address start-up costs related to administering the ELD test. During the budget process, several school districts indicated that the funding rate was insufficient to cover the costs of administering the test.

VETOED: The Governor reduced this amount to \$500,000 to fund district apportionments for approximately 333,000 English Language Learners expected to enroll in public schools in 2001-02.

- **Immediate Intervention/Underperforming Schools Program – (\$47.2 million).** The budget provides an increase of \$47.2 million to fully fund implementation grants at \$200 per pupil. This program is funded with both state and federal funds. Schools that are federally funded receive \$200 per pupil, while state funded schools received \$168 per pupil in 2000-01.
- **K-3 Class Size Reduction Deficiency – (\$32.3 million).** The budget provides \$32.3 million in one-time funds to fund a current-year deficiency in the K-3 Class Size Reduction program.

VETOED: The Governor deleted this augmentation to address a deficiency in the program, which arose from the SDE providing a rate that was in excess of that provided by the Legislature and the administration. The Governor stated that it would be more appropriate for the SDE to correct the current-year per pupil rate and recalculate program costs to determine the actual amount required for the program.

- **Multi-Track Year-Round Education Grants – (\$26.5 million).** The budget provides \$26.5 million in one-time funds to address a deficiency in the Multi-Track Year-Round Education grant program. The deficiency arose from unintended consequences of SB 50 (Greene, 1998) that resulted in schools artificially inflating the number of unhoused pupils.

VETOED: The Governor deleted the augmentation for this program, stating that it would be more appropriate to correct the inequities through legislation.

- **Supplemental Instruction Transportation – (\$400,000).** The budget provides \$400,000 in one-time funds for supplemental instruction transportation for small and rural schools. This will ensure that students who are in need of supplemental or remedial instruction have access to the programs.

VETOED: The Governor deleted this funding, stating that schools can pay the costs of transportation using the funds they currently receive.

- **Career and Technical Education – (\$8 million).** The budget provides \$8 million in one-time funds for a career and technical education legislative package.

VETOED: The Governor reduced the amount for career and technical education services by \$2.5 million.

- **Regional Occupational Centers and Programs - (\$10 million).** The budget provides \$10 million in one-time funds for equipment replacement for regional occupational centers and programs.
- **Adult Education – (\$10 million).** The budget retains \$10 million that was proposed to be cut in the May Revision. In addition, the budget provides that up to \$5 million of the unexpended funds from 2000-01 be used to increase the revenue limit by up to \$20 per ADA for 2001-02. The remainder would be reallocated on a one-time basis for specified purposes to districts that are fully utilizing their adult education allowances.

VETOED: The Governor deleted the \$10 million to better reflect estimated participation. The Governor also deleted the language for the use of unexpended funds, stating, among other things, that the SPI currently has the authority to allocate any unused funding to districts that can demonstrate a need to fund additional students.

- **Teacher Credentialing Service Improvement Project – (\$1.2 million).** The budget provides an increase of \$1.2 million for the Teacher Credentialing Service Improvement Project, which is an information technology project to streamline the issuance and renewal of teaching credentials.
- **Special Education Mandate Settlement – (\$395 million).** The budget package provides \$100 million in ongoing funding to increase the base amount for special education and \$25 million in one-time funding as the first of ten installments for general educational purposes. In addition, the budget provides \$270 million in retroactive payments on a one-time basis for general educational purposes.

- **Additional Special Education Funding – (\$98 million).** The budget provides \$98 million in General Fund freed up by new federal funds, half of which will be distributed on a per-ADA basis and half for equalization.
- **After-School and Before-School Programs – (\$29.7 million).** The budget provides \$29.7 million to expand the After School Learning and Safe Neighborhoods Partnerships Program, including \$14.9 million to establish a before-school component pursuant to legislation.
- **CalWORKS Childcare – (\$99.7 million).** The budget provides an increase of \$66 million in one-time General Fund to fully fund the Stage 3 set-aside for families that have transitioned off of welfare. In addition, the budget provides an increase of \$33.7 million from primarily federal sources to fully fund CALWORKS Stage 2 childcare.

VETOED: The Governor reduced funding for Stage 3 by \$44 million for a total of \$236 million. This provides funding for families that become eligible for Stage 3 services prior to February 1, 2002. The Governor set aside \$24 million to provide additional services through the remainder of 2001-02, contingent upon enactment of legislation by January 1, 2002 to reform the subsidized child care system to address inequities in access to childcare among families transitioning off of welfare and working, low-income families who have not been recipients of CALWORKS benefits.

- **Subsidized Childcare – (\$66.8 million).** The budget provides an increase of \$66.8 million for subsidized childcare programs for working, low-income families, to annualize half-year expansions initiated in 2000-01 for General Child Care (0-5 yrs.), State Preschool, and Migrant Day Care.
- **Excess Vacancies in the State Department of Education.** The conference committee restored 36.7 excess vacancies that had originally been deleted in the Governor's budget.

VETOED: The Governor eliminated 26.7 excess vacancies from the budget, in recognition that many departments have excess and unnecessary position authority in their budgets. (Of the 36.7 positions that were originally proposed for deletion by the Governor in January, 10 had already been redirected. Therefore, the balance of excess vacancies is 26.7.)

HIGHER EDUCATION

University of California

- **Reduction in Partnership Funding - (\$89.8 million).** Partnership funding was reduced in the Governor's May Revision by \$89.8 million to \$59.8 million, resulting in a 2 percent increase in base funding rather than 5 percent.
- **Elimination of Funding for Core Budget Needs – (\$20 million).** The Governor's May Revision eliminated \$20 million in one-time funding for instructional equipment, deferred maintenance, and instructional materials.
- **Reduction in Energy Funds – (\$25 million).** The budget reflects a 25 percent reduction in energy funds from the level proposed by the Governor in the May Revision.

- **Enrollment Growth – (\$65 million).** The budget provides \$65 million to fully fund enrollment growth.
- **No Student Fee Increase – (\$21.5 million).** The budget provides \$21.5 million to avoid fee increases.
- **Year-Round Operations – (\$20.7 million).** The budget provides \$20.7 million to fund existing summer enrollments at three campuses, Berkeley, Los Angeles, and Santa Barbara. The budget contains language that would require the university to return the funding to the General Fund if specified summer enrollment targets are not met.
- **Research – (\$10 million).** The budget provides \$3 million in one-time funds for Pierce’s Disease research, \$3 million in one-time funds for medical marijuana research, an increase of \$1 million for spinal cord research, and an increase of \$3 million for the Center for the Medical Investigation of Neurodevelopmental Disorders (MIND Institute).

VETOED: The Governor deleted the funding for Pierce’s Disease research.

- **UC Teaching Hospitals – (\$5 million).** The budget provides \$5 million in one-time funds for clinical teaching support at UC Medical Centers, Neuropsychiatric Institutes, and dental clinics.
- **Internet2 – (\$18 million).** The budget provides \$18 million in one-time funds for continued development of Internet2 to provide access for faculty and students.

VETOED: The Governor reduced the amount for Internet2 by \$4 million.

- **Student Retention Services – (\$5 million).** The budget provides \$5 million to expand student retention services and programs.

VETOED: The Governor deleted this funding, which included \$3 million that he proposed in January and a \$2 million augmentation from the Legislature.

- **Outreach – (\$2.6 million).** The budget provides \$1.5 million to expand graduate and professional outreach, and \$1.1 million for ASSIST (Articulation System Stimulating Inter-Institutional Student Transfer).

VETOED: The Governor deleted \$1.5 million to expand graduate and professional outreach and \$1.1 million to expand ASSIST. In addition, the Governor deleted \$2 million from UC’s base funding for outreach programs.

- **Institutes for Science and Innovation – (\$95 million).** The budget provides the second installment of funding (\$75 million) for the three existing institutes and \$20 million for a fourth institute, the Center for Information Technology at UC Berkeley.
- **Capital Outlay Funding Shift.** The budget funds the following capital outlay projects using lease revenue bonds: UC Merced (\$158.6 million for two buildings and infrastructure), UCSF-Fresno Medical Center (\$26 million), and the Heckmann International Center for Management (\$10 million).

California State University

- **Reduction in Partnership Funding – (\$70.2 million).** Partnership funding was reduced in the Governor's May Revision by \$70.2 million to \$46.7 million, resulting in a 2 percent increase in base funding rather than 5 percent.
- **Elimination of Funding for Core Budget Needs – (\$20 million).** The Governor's May Revision eliminated \$20 million in one-time funding for instructional equipment, deferred maintenance, and instructional materials.
- **Energy Funds – (\$34.1 million).** The budget provides \$34.1 million for energy costs, as proposed in the Governor's May Revision.
- **Enrollment Growth – (\$55.7 million).** The budget provides \$55.7 million to fully fund enrollment growth.
- **No Student Fee Increase – (\$16.6 million).** The budget provides \$16.6 million to avoid fee increases.
- **Year-Round Operations – (\$12.4 million).** The budget provides \$12.4 million to fund existing summer enrollments at four campuses, San Diego, Fullerton, Long Beach, and San Francisco. The budget contains language that would require the university to return the funding to the General Fund if specified summer enrollment targets are not met.
- **Expansion of Applied Research – (\$2.9 million).** The budget provides an increase of \$1 million for agricultural research, \$1 million for marine studies research, \$250,000 for the CSU Program for Education and Research in Biotechnology, and \$650,000 to develop a Central Valley Economic Incubator at CSU Fresno.

VETOED: The Governor deleted \$2 million for agricultural research, including the \$1 million augmentation, reduced the funding for marine studies research to \$500,000, and deleted the \$250,000 augmentation for the CSU Program for Education and Research in Biotechnology.

- **High Cost Programs – (\$5 million).** The budget provides \$5 million to increase enrollments in high cost programs, including agriculture, biological sciences, computer science, engineering, and nursing.

VETOED: The Governor deleted this funding, stating that the marginal cost formula addresses both high cost and low cost programs by providing an average marginal cost amount. In addition, the CSU has discretion in allocating funds to programs.

- **K-12 Educational Technology Professional Development Program – (\$18.5 million).** The budget provides an increase of \$18.5 million for the K-12 Educational Technology Professional Development Program.

VETOED: The Governor reduced the funding for this program by \$12.5 million, resulting in a net increase of \$6 million over 2000-01.

California Community Colleges

- **Community Colleges Funding Goal Ignored.** The budget fails to provide the 11 percent share of Proposition 98 funding to the community colleges as provided for in statute (trailer bill language suspends the requirement for 2001-02). The split between the community colleges and K-12 for 2001-02 is 10.26 percent.

VETOED: The Governor deleted approximately \$126 million from the budget for the community colleges. As a result, the split between the community colleges and K-12 is now 10.0 percent, down from 10.3 percent in 2000-01. The reductions include \$98 million for the Scheduled Maintenance and the Instructional Equipment and Library Materials Replacement programs. The Governor deleted this funding on the basis that UC and CSU did not receive any discretionary funding for these purposes.

- **Partnership for Excellence COLA – (\$7.6 million).** The budget provides \$7.6 million (2.5 percent) for a partial COLA on the Partnership for Excellence.

VETOED: The Governor deleted this funding, stating that increased funding for the partnership should be based solely on improving student outcomes. In addition, providing a COLA for this program would create a pressure to provide a COLA for other discretionary programs.

- **Energy Funds – (\$49 million).** The budget provides \$49 million for energy costs, including \$23 million in the current year to be distributed to campuses based on actual energy usage, and \$26 million in the budget year to be distributed on a square footage basis.
- **Part-Time Faculty Compensation – (\$57 million).** The budget provides \$57 million in one-time funds to assist districts in making part-time faculty salaries more comparable to full-time faculty salaries for similar work.
- **Part-Time Faculty Office Hours – (\$7.2 million).** The budget provides \$7.2 million in one-time funds for part-time faculty office hours.
- **Economic Development – (\$5 million).** The budget provides \$5 million to increase the number of Industry Driven Regional Collaboratives in order to address demand for training in information technology, nursing, and biotechnology.

VETOED: The Governor deleted the \$5 million augmentation, and instead set aside \$4 million for increased nursing enrollments and \$1 million for curriculum development and pilot programs for training licensed nurses in specialty areas pending enactment of legislation in the 2001-02 session.

- **Cal Grant Expansion Implementation – (\$11 million).** The budget provides \$11 million to assist districts with ensuring that all eligible students have access to Cal Grants.

VETOED: The Governor deleted the \$11 million for Cal Grant implementation.

- **Low-Transfer Grants – (\$2 million).** The budget provides \$2 million for grants for low-transfer colleges to improve student transfer to UC and CSU.

VETOED: The Governor deleted the \$2 million augmentation for grants to improve student transfer.

- **EOPS Book Grants Program – (\$2 million).** The budget provides an increase of \$2 million for the EOPS (Educational Opportunity Programs and Services) Book Grants program.

VETOED: The Governor deleted the \$2 million augmentation for this program, stating that the colleges are currently allowed to use EOPS funding for book grants.

California Student Aid Commission

- **Cal Grant Program Reduction – (\$35 million).** The Governor's May Revision reduced the Student Aid Commission's budget by \$35 million in both the current and budget years, due to lower-than-expected participation in the Cal Grant Entitlement program. This funding could have been used for competitive Cal Grant awards, which are available to students who are not eligible for an entitlement award.
- **Cal Grant Outreach – (\$2.5 million).** The budget provides an augmentation of \$2.5 million for Cal Grant Outreach. Of this amount, \$1.5 million is available to provide technical assistance and disseminate information regarding the Cal Grant Program, and to create the College Corps Program to award stipends to college students for the purpose of educating high school students about the Cal Grant Program. The remaining \$1 million is intended to provide funds for organizations to host financial aid workshops and forums to assist high school students and their families.

VETOED: The Governor deleted the \$1.5 million for outreach and the College Corps Program, stating that funding is currently provided for outreach. In addition, the Governor deleted the \$1 million for workshops and forums, encouraging the Commission to emphasize financial aid outreach in its California Student Opportunity and Access Program.

OUTSTANDING CONCERNS

- **Reduction in Funding for Non-Classroom Based Charter Schools.** The conference committee approved trailer bill language that reduces the amount of funding that non-classroom based charter schools receive by thirty percent over the next three years, unless a school receives a waiver from the State Board of Education. The funding is intended to be used for a grant program for regular charter schools that are located in low-income areas to pay for the costs of facilities rents and leases, including renovation and site improvement. The budget provides an appropriation of \$10 million for this purpose contingent on legislation. This proposal contains significant policy changes that should not be addressed in the budget.
- **No Funding for County Office of Education Equalization.** The budget does not contain any funding for county office of education equalization. The Senate proposed \$9 million for the second of three installments of equalization funding.
- **School Bus Safety II Mandate.** The Governor's budget originally proposed \$223.7 million to pay for prior-year and current-year costs of the mandate. The conference committee took action to set aside these claims pending a review by the Joint Legislative Audit Committee (JLAC), due to concerns about inconsistencies in the claims. This funding was subsequently reduced to zero to fund other priorities of the Legislature and the administration, which will lead to a large out-year cost for the mandate.

- ***Ongoing Programs Funded on a One-Time Basis – (\$231 million).*** The budget funds a number of new ongoing K-12 programs on a one-time basis, including the Mathematics and Reading Professional Development Program (\$80 million), Principal Training Program (\$15 million), High Tech Highs (\$10 million), PERS Reduction (\$35 million), High School Exit Exam student workbooks (\$3 million). In addition, funding for the Academic Volunteer and Mentor Service Program (\$10 million), the annual K-12 Per Pupil Block Grant (\$68 million), and an augmentation to the School Safety Block Grant (\$10 million) were shifted to one-time.
- ***Governor's Performance Awards Cut (\$70.3 million).*** The budget reflects a cut in the Governor's Performance Awards program of \$70.3 million from the amount budgeted in the current year. The Governor's budget had originally proposed to fully fund the awards at \$150 per test taker. The omnibus education trailer bill contained changes to the eligibility criteria that allowed the state to reduce funding for the program while maintaining the 2000-01 per pupil funding level at \$68. Republicans have supported fully funding this program to provide incentives to schools to improve student performance.
- ***ADA Audits – (\$3 million).*** The budget provides continued funding of \$3 million for audits of school districts' pupil attendance accounting records, despite concerns from school districts that the process is duplicative, time consuming, and unfair.

HEALTH SERVICES AND HUMAN SERVICES

The budget includes total proposed expenditures of \$54.7 billion (\$21.9 billion General Fund and Tobacco Settlement Fund) for Health and Human Services, which is an increase of \$3.6 billion (7%) over the 2000-01 budget. General Fund expenditures increased by \$1.8 billion (9%) over the 2000-01 budget. A number of expansions and new programs are being proposed in the areas of health care coverage, public health, mental health, child welfare, senior services, and substance abuse treatment. A new state agency known as the Office of HIPAA Implementation will come on line in the budget year to provide statewide leadership and oversight for implementation of the Health Insurance Portability and Accountability Act.

Significant highlights of this budget include the following:

HEALTH SERVICES

- ***Republican Provider Rate Increase Proposal Not Included.*** This year Senate and Assembly Republicans proposed allocating \$430 million General Fund (coupled with a like amount of federal matching funds) to provide a 25 percent increase in the rates paid to physicians, dentists, outpatient facilities and clinics, as well as many other health care providers upon whom the state relies to care for Medi-Cal clients. This Republican *priority* was not included in the budget. However, the budget does include \$46.1 million General Fund for a 2.15 percent increase for Long-Term Care rates.
- ***Previous Medi-Cal Program Expansions – (\$333 million GF and TSF).*** Significant state funding is provided for a variety of Medi-Cal program eligibility expansions and simplified eligibility processes approved in the previous two years. Specifically, the budget includes \$135 million to provide 12-months of continuous eligibility for children; \$71 million to eliminate the requirement to submit quarterly eligibility status reports; \$71 million to extend benefits to two-parent working families with incomes at or below 100% of the federal poverty level; \$47 million to provide No-Cost Medi-Cal benefits for aged, blind, and disabled individuals with income below 133% of the federal poverty level; and \$9 million as a result of a prohibition on counties from redetermining Medi-Cal eligibility when a beneficiary is terminated from CalWORKS.
- ***Further Medi-Cal Program Expansion – (Unknown Cost).*** Despite the Medi-Cal program eligibility expansions and simplified eligibility processes discussed above, this entitlement program was further expanded this year by eliminating the 10-day exception reporting requirement (thus providing 12-months continuous eligibility for parents), and allowing “presumptive eligibility” in some cases.
- ***Low Expectations for Medi-Cal Fraud Prevention Efforts.*** Despite the addition of over 240 new positions over the past two years for the Department of Health Services to address Medi-Cal provider fraud, the budget anticipates only a \$40 million General Fund savings and an additional \$25 million General Fund cost avoidance. Republicans believe that such low expectations will be met with equally low results. The budget should reflect an additional \$100 million in General Fund savings, which would provide a much more aggressive savings target for the department.
- ***Health-Only Focus for Tobacco Settlement Revenues - (\$402 million TSF).*** Through a budget trailer bill the state’s share of tobacco settlement revenue is deposited into a new

Tobacco Settlement Fund instead of depositing these revenues in the General Fund. These funds will be used for certain Medi-Cal Program expansions approved last year as well as a variety of new program expansions and public health initiatives (e.g. Healthy Families Program Expansion, Breast and Cervical Cancer Treatment, and Prostate Cancer Treatment Program). This is simply an accounting maneuver that gives the impression there is no General Fund impact associated with these new and expanded programs. The reality is that this represents \$402 million that could be added to the General Fund for a variety of important state priorities, but is now restricted for programs related to health.

- **Healthy Families Program Parental Expansion - (\$61.8 million GF and TSF).** The budget provides for an expansion of the Healthy Families Program to include parents of eligible children in families with income up to 250% of the federal poverty level. This expansion is anticipated to provide coverage for about 188,000 parents. Of particular concern are the future state costs of this expansion as the program matures, which is estimated to be \$156 million in 2002-03.

VETOED: The Governor deleted language that would have committed the state to fully fund the Healthy Families Program, through a request for deficiency, in the event the amount appropriated in the budget is insufficient. In effect, the language would have forced the state to treat the Healthy Families Program like an entitlement.

- **Healthy Families Program Outreach - (\$15 million GF and TSF).** The budget proposes to increase spending from \$34 million to \$72 million. This represents an increase of \$38 million (over 117%), which includes \$15 million General Fund, for outreach/education programs to encourage additional participation in this program. Assembly Republicans are concerned that there may be higher priorities for these outreach funds, such as direct health care services.

VETOED: The Governor deleted language that would have required \$5 million General Fund be transferred from other Medi-Cal program areas to Healthy Families and Medi-Cal for Children Program Outreach in the event \$5 million of Proposition 10 funding is unavailable for this program.

- **Healthy Families Program Income Self-Verification.** As part of the Healthy Families Program eligibility process, applicants who cannot provide income documentation that meets program eligibility requirements will be allowed to simply sign a statement as to the amount or value of their income that will constitute income verification. Republicans are concerned that the program would be open to fraud, costly federal audit exceptions, and potentially significant funding deficits. People of any income level could send in an application and receive virtually free health, dental and vision coverage. Additionally, there could be a financial incentive for the “certified application assistants”, who receive \$50 for every successful application, to commit fraud. Currently, there is no mechanism for auditing eligibility.
- **Single Point of Entry - (\$12.2 million GF).** In order to accelerate enrollment of children in the Healthy Families Program the budget provides funding to contract with a centralized processing entity that accepts and screens applications for benefits for both the Medi-Cal Program and Healthy Families Program (a “Single Point of Entry”). This entity will be reimbursed on a per-application processed basis that provides for a minimum payment of \$225,000 (up to 3,000 applications). Each application processed over the 3,000 minimum but under 6,000 will cost \$50, and each application over 6,000 will cost \$58. It is estimated 45,000 applications a month will be processed through the Single Point of Entry, but only 10% will be screened eligible for the Healthy Families program. This means that about 90% of the applications will simply be forwarded to the appropriate county to be processed yet again after the state has paid the centralized entity about \$11 million for this same function.

- **Healthy Families Program to Medi-Cal Program Two-Month Bridge - (\$4 million GF).** This new add-on provides two-months of eligibility for Medi-Cal beneficiaries after they become ineligible for Medi-Cal in order to provide time to apply for the Healthy Families Program. This “bridge” concept works both ways in that Healthy Families Program beneficiaries that become ineligible will have two additional months of coverage to provide them the opportunity to apply for Medi-Cal.
- **Health-e App – (\$240,000 GF).** The budget includes funding for an eight-county pilot project for implementation of the “Health-e App” process, which will expedite enrollment in the Medi-Cal and Healthy Families Programs through use of an internet-based electronic file. The “Health-e App” will automate the transmission of application information to the State’s Single Point of Entry for the joint Healthy Families and Medi-Cal for Children Programs mail-in application.
- **Breast and Cervical Cancer Treatment Program – (\$18.6 million GF and TSF).** This may be viewed as an expansion of the Medi-Cal entitlement because it shifts individuals from Share of Cost Medi-Cal to No-Cost Medi-Cal. The language states the program is not entitlement, but it is funded like one. This new program implements a federal option to expand the Medi-Cal Program to provide breast and cervical cancer treatment to persons with incomes up to 200 percent of the federal poverty level. It also creates a **state-only** program up to 200 percent of the federal poverty level, consistent with the broad provisions of the federal program. Treatment services will be limited to 18 months for breast cancer and 24 months for cervical cancer. It is important to note that undocumented aliens and qualified aliens would receive treatment through the state-only component of the program.
- **Public Health Initiatives – (\$40 million GF and TSF).** The budget provides an augmentation of \$10 million for a Prostate Cancer Treatment Program, which doubles current funding to provide additional treatment to uninsured or underinsured persons with income up to 200% of the federal poverty level. In addition, \$20 million is provided for a Youth Anti-Tobacco Program that will provide grants to local non-profit agencies to conduct tobacco control interventions via college advocacy coalitions on college campuses.
- **Bi-National Migrant Health Initiative - (\$1 million GF).** \$1 million is included in the budget for the California Office of Binational Border Health to facilitate cooperation between health professionals in California and Mexico as they seek to improve the health of communities affected by border or binational conditions and activities. The funds will provide for health education, promotion, and technical assistance activities. Included is \$80,000 for a binational migrant health week.
- **Child Health and Disability Prevention Program (CHDP) – (\$6.7 million GF).** Funding augmentation of \$6.7 million to increase the frequency of screenings in accordance with American Academy of Pediatrics standards. While increased preventive screenings are desirable, Republicans believe we should be working on ways to transition children out of CHDP and into the Healthy Families Program and Medi-Cal where they will have a comprehensive system of care.

VETOED: The Governor deleted the \$6.7 million General Fund legislative augmentation for updating the Child Health and Disability Prevention Program periodicity schedule to reflect American Academy of Pediatrics standards.

- **Increased Funding for Public Health Programs – (\$3 million GF).** The budget includes \$3 million in legislative augmentations for various public health programs. Specifically, \$250,000 to conduct an oral health needs assessment for children; \$250,000 to conduct public health assessments; \$500,000 for the Farmers' Market Nutrition Program, which provides fresh fruit and vegetables from farmers' markets to low income pregnant women, infants and children participating in the Special Nutrition Program for Women, Infants and Children (WIC); and \$2 million for Local Public Health Subventions to increase funding for the control of communicable disease.

VETOED: The Governor vetoed all of the General Fund augmentations and related Federal Funds for these public health programs. The \$250,000 to conduct public health assessments; \$250,000 to conduct an oral health needs assessment of children; \$500,000 for the Women, Infants and Children (WIC) Farmer's Market Program; and \$2,000,000 for the Local Public Health Subvention were all deleted.

- **Primary Care Clinics and Rural Health Care Augmentations – (\$16 million GF).** The budget provides augmentations of \$2 million for the Seasonal and Migratory Workers Program; \$2 million for the State Indian Health Program; \$2 million for the Rural Health Clinics; and \$10 million for Expanded Access to Primary Care Clinics. These clinics often serve as the primary care givers to undocumented aliens and individuals living in rural areas that lack access to health care.

VETOED: The Governor vetoed \$6,000,000 of legislative appropriations that augmented various primary care and rural health clinics (i.e., \$2 million for the Seasonal and Migratory Workers Program, \$2 million for the State Indian Health Program, \$2 million for the Rural Health Clinics). However, the Governor sustained a \$10 million augmentation for the Expanded Access to Primary Care (EAPC) Clinic Program.

- **Major Risk Medical Insurance Program – (\$5 million GF).** This funding augmentation is contingent upon enactment of insurance market reforms that improve access to insurance for the medically uninsurable. The California Major Risk Medical Insurance Program was developed to provide health insurance for Californians who are unable to obtain coverage on the open market. Services are delivered through contracts with health insurance providers. Individuals qualifying for the program participate in the payment for the cost of their coverage by paying premiums on their own behalf. Previously, the program was fully funded by tobacco tax funds.
- **Trauma Care – (\$30 million GF).** The budget appropriates \$25 million from the General Fund to establish the Trauma Care Fund, which will provide allocations to local Emergency Medical Services agencies for distribution to designated trauma centers. The funds are intended to provide for otherwise uncompensated care. An additional \$5 million is provided on a one-time basis for the development of local trauma care system plans.

*SUSTAINED: The Governor sustained the \$25 million augmentation for trauma care centers and the \$5 million augmentation for trauma care system planning, **but only on a one-time basis.***

- **Fee Increase for Large Water Systems** – The budget trailer bill deletes the January 1, 2002 sunset on fees and allows the total amount of fees collected to increase from \$4.9 million to \$7 million, and provides that these fees may continue to increase by up to 5 percent per year beginning in fiscal year 2002-03.
- **Vital Record Improvement Program** – Budget trailer bill language increases fees from \$2 fee to \$3, and increases the base amount going to the State Registrar from \$0.90 to \$1.35 for each fee collected.. The additional revenue is supposed to be used "to enhance services, to improve

analytical capabilities of state and local health authorities in addressing the health needs of newborn children and maternal health problems, and to analyze the health status of the general population.”

HUMAN SERVICES

- **Regional Center Backfill due to Reduced Federal Participation - (+\$8.8 million GF).** The Budget includes funding to replace lost federal funds on a dollar-for-dollar basis. Delays in recertifying California’s Regional Center Medicaid Home and Community - Based Waiver resulted in a loss of federal funds totaling \$5.6 million. Additionally, billings for Targeted Case Management and base rates for Regional Center administrative costs failed to rise to anticipated levels resulting in a corresponding need to replace federal revenues with \$3.2 million GF.
- **Regional Center Caseload - (+\$32.9 million GF).** The Regional Center caseload is growing faster than anticipated by the proposed Governor’s Budget. Based on new projections, the budget year caseload will exceed that projected in the Governor’s proposed Budget by 1,075 clients or 0.6 percent. Because of this increase the Budget provides an additional \$33.4 million (\$32.9 million GF) to fund the additional staff to care for these individuals and purchase services for them.
- **Regional Center Program Increases - (+\$7.8 million GF).** The Budget includes additional resources to fund an augmentation of \$2.6 million GF for the Early Start Program too more fully evaluate children for eligibility and necessary services. This augmentation is intended to ensure compliance with federal and state requirements mandating the Department to conduct multidisciplinary evaluations and assessments within 45 days of a child being referred to a Regional Center. Additionally, the budget includes an increase of \$2.3 million to provide enhanced payments for respite care services, and \$2.9 million for affordable housing.

VETOED: The Governor vetoed the following augmentations:

1. \$2,600,000 (\$2,355,000 General Fund and \$245,000 in reimbursements) for rate increases for in-home and out-of-home respite workers.
2. \$2,596,000 for additional Regional Center staff to evaluate and coordinate Early Start Program activities.

- **Regional Center Special Incident Reporting System - (+7.6 million GF).** The budget includes an augmentation of \$9.4 million (\$7.6 million GF) to implement a special incident reporting system. Special incidents are deaths or serious injuries inflicted on patients by staff or other patients.

VETOED: The Governor vetoed the following augmentation:

1. \$1,700,000 for expansion and implementation of a redesigned Special Incident Reporting System for regional center providers. Even after this reduction, there remains \$7,544,000 in the 2001 Budget for this system.

In addition, the Governor reduced the amount available for reappropriation in Item 4300-490 by \$1,118,000 leaving \$500,000 in reappropriated funding available for regional center purchase of service activities.

- **Mental Health - (+\$7.6 million GF).** The Budget for Mental Health includes: 1) increases of \$1.2 million to provide supplemental funding for Community Treatment Facilities; 2) an additional \$10.0 million to expand integrated services for homeless adults; 3) \$2.0 million for a respite care pilot project; 4) \$350,000 to establish the Mental Health Advocacy Commission; 5)

an increase of \$2.4 million GF to pay the higher cost of new psychotherapeutic drugs in State Hospitals; 6) an increase of \$2.6 million (\$2.1 million GF) for recruitment and retention bonuses for classifications that have been difficult to recruit i.e., psychiatric social workers, and psychologists; and 7) a reduction of \$10.5 million to reflect a new budgeting methodology for projecting the state hospital population.

VETOED: The Governor vetoed the following General Fund augmentations:

1. \$350,000 to fund the Mental Health Advocacy Commission.
2. \$2,000,000 to fund the Mental Health Respite Care Pilot Program.
3. \$5,000,000 for the supportive housing program.
4. \$2,095,000 for the Children's System of Care citing the fact that the budget still provides \$443.3 million for mental health treatment to Medi-Cal eligible children, \$13 million for mental health services for children in the Healthy Families Program while maintaining \$39.8 million in the Children's System of Care.
5. \$6,000,000 for Crisis Intervention and Stabilization Assistance.
6. \$772,000 from the \$10,772,000 augmentation contained in the budget for Adult Systems of Care.
7. \$5,041,000 thereby eliminating the 3 percent discretionary COLA for Mental Health Managed Care.

In addition, the Governor deleted Provision # 4 from Item 4440-101-890, which directed the Department of Mental health to expend \$200,000 to develop a statewide suicide prevention plan.

- **Department of Alcohol and Drug Programs, State Medicaid Plan Amendments - (-\$34.7 million GF).** The budget reflects reduced Current Year expenditures of \$21.5 million (\$10.4 million GF) because of a significant delay in securing appropriate State Medicaid Plan amendments that would have, effective January 2001, permitted new Drug Medi-Cal services. For the 2001/02 budget year, the budget includes a reduction of \$50 million (\$24.3 million GF) reflecting a federal delay in approving a State Plan Amendment authorizing federal funding for the discretionary expansion of Drug Medi-Cal day care services.
- **Department of Alcohol and Drug Programs - (-\$13.4 million GF).** The budget includes reductions totaling approximately \$13.4 million comprised of: a) \$7.7 million reduction for expansion of adult treatment services; and b) a reduction of \$5.7 million proposed for expansion of youth treatment services.

VETOED: The Governor vetoed the following funds from the Budget of the Department of Alcohol and Drugs.

1. \$5,700,000 for youth treatment programs, citing the presence of a significant commitment of General Fund resources (\$120 million) already provided via Proposition 36.
2. \$1,000,000 for the state funded perinatal program, citing the fact that funding for a similar program, the Perinatal Drug Medi-Cal Program is increasing by \$1.8 million.

- **Department of Alcohol and Drug Programs, Drug Medicaid Caseload (+\$10.9 million GF).** The budget includes an increase of \$22.4 million (\$10.9 million GF) to serve a Drug Medicaid caseload increase of 20,700 new cases.
- **The budget includes \$17 million for drug court treatment programs.**

VETOED: The Governor reduced funding as follows for this program: \$3,000,000 for drug court programs.

- The Department of Employment Development budget includes \$5.0 million General Fund to provide resources for Faith Based Initiatives.

VETOED: The Governor reduced funding in the budget of the Employment Development Department for the Faith Based Initiative by:

1. *\$1,000,000 bringing total funds available for this program to \$4,000,000.*

- **Reversion of Infrastructure funds for Compliance with Americans With Disabilities Act - (-\$48 million GF).** The budget includes reversion Item 5160-495 within the budget for the Department of Rehabilitation. This Item was enacted to allow approximately \$48 million of the \$60 million General Fund allocation, provided via the 2000/01 Budget Act to correct deficits related to the Americans With Disabilities Act at state facilities, to revert to the General Fund.

VETOED: The Governor deleted Item 5160-495, as added by the Legislature, to revert the unexpended portion, approximately \$48 million (all General Fund) of the \$60 million appropriated in the 2000/01 Budget Act for compliance with the Americans with Disabilities Act.

- **In – Home Supportive Services (IHSS) – (+\$28.8 Million GF).** The Budget includes an increase in IHSS expenditures totaling \$31.4 million for a variety of discretionary wage and benefit COLAS and a reduction of \$2.6 million due to an administrative cost adjustment to reflect no increases in the cost of doing business and no additional funding for caseload. It is important to remember that existing state law requires an increase in IHSS wages only if General Fund revenue growth exceeds 5%. The budget deletes this requirement thereby authorizing this \$28.8 million GF increase.
- **CALWORKS – (+\$60.3 Million GF).** Trailer Bill Language has been adopted which authorizes counties to provide CALWORKS eligible parents with support services for up to 180 days after a child is removed from the family for his/her respective safety. This action is projected to increase costs by up to \$22.3 million GF in the budget year. In addition, language has been adopted to expand and increase the vehicle asset test criteria by which the value of vehicles owned by CALWORKS clients are exempted from consideration while clients are evaluated for CALWORKS eligibility. Preliminary estimates peg the cost of this action at \$38 million GF annually.
- **Redirection of Employment Training Tax Revenues.** The budget redirects \$61.7 million from revenues collected from employers for employment training activities and transfers these funds to CALWORKS employment services. Under current law this tax would sunset, January 1, 2002. However, trailer bill language eliminates this sunset permitting the tax to continue.
- **Foster Care – (\$13.2 Million GF).** The Conference Committee increased funding by \$8.0 million for transitional support services and added \$5.0 million for transitional housing. This augmentation was included to fund the BY expansion of eligible individuals to include children between the ages of 16 and 21 for transitional support services and housing. In addition, the budget was increased by \$200,000 to fund criminal background checks for potential adoptees of foster children.
- **Immigrant Programs - (+\$22.0 Million).** Eliminated the sunsets for the Cash Assistance Program for Immigrants and the California Food Assistance Program and augmented these programs by \$17 million and \$5.0 million respectively. Out-year costs for these programs are projected to increase by \$100 million (all GF).
- **Department of Social Services Caseload Reductions - (-\$96.2 million GF).** The budget proposes to reduce General Fund expenditures in the CY by \$50.9 million and in the BY by \$45.3 million to reflect caseload reductions.

- **Food Bank Infrastructure - (+\$5.0 million GF).** The budget proposes an increase of \$2.0 million for one-time food bank infrastructure improvements.

VETOED: The Governor vetoed the following augmentation:

\$2,000,000 General Fund augmentation for the Emergency Food Assistance Program and food bank infrastructure improvements.

- **Criminal Background checks - (+\$200,000 GF).** The budget includes \$200,000 to fund criminal background checks for adoptive parents at the time of application, rather than reimbursing successful parents at the time of adoption.

VETOED: The Governor VETOED the following augmentation:

\$200,000 to fund criminal background checks for adoptive parents at the time of application, rather than reimbursing successful parents at the time of adoption

Juvenile Crime Prevention Program - (+\$5.0 million GF). Increased funding for juvenile Crime Prevention by \$5.0 million.

VETOED: The Governor vetoed the following augmentation:

\$5,000,000 for the Juvenile Crime Prevention Program, pointing out that the budget maintains \$116.3 million for this purpose in the budget of the Board of Prison Terms.

In addition, the Governor made the following General Fund reductions:

1. \$1,700,000 for oversight of the Statewide Automated Welfare System.
2. \$500,000 from the Statewide Fingerprint Imaging System, sustaining \$11.7 million to complete implementation of this system.
3. \$1,000,000 for activities related to implementation of the Welfare Client Data System, while sustaining \$81.8 million for this purpose.
4. \$1,380,000 for Connsortium IV implementation activities, while sustaining \$78.6 million for this purpose.
5. Reduced funding for the Special Circumstances Program by \$3,300,000 reducing payments under this program by \$1.3 million and counting on administrative efficiencies to generate an added \$2.0 million in savings.

- **Department of Aging - (+\$1.047 million GF).** The Budget includes increases totaling \$1.047 million to provide \$467,000 GF for start up grants for Adult Day Care and Adult Day support and an increase of \$600,000 GF to expand the Linkages program, which serves frail elderly and functionally impaired individuals.

VETOED: The Governor vetoed the following general fund augmentations from the Department of Aging budget:

1. \$600,000 for the Linkages program that was intended to provide a per-client rate increases.
2. \$467,000 for one-time start up grants for Adult Day Care.

- **Health Insurance Portability and Accountability Act - (HIPPA) (\$13.6 million GF and 42.1 positions).** In August 1996, the President signed the Health Insurance Portability and Accountability Act. HIPPA is intended to improve the availability of health insurance to working families and their children, including 25 million Americans who change jobs, are self employed, own their own businesses, or have pre-existing medical conditions. Failure to comply with HIPPA regulations would expose the state to potentially severe reductions in federal financial participation for health care delivery programs. Such an action would necessitate increased General Fund pressures to backfill for the loss of federal funds.

The 2001-02 budget includes \$47.45 million and 42.1 positions for HIPPA activities. These resources are apportioned as follows: 1) \$2.6 million (\$2.45 million GF and . \$6 million federal fund) and 12 positions to the Office of HIPPA, housed within the Health and Human Services agency, and 2) ½ year funding of \$44.85 million (\$11.12 GF, \$1.1 million special fund and \$32.6 million federal fund) and 30.1 positions spread amongst the other state agencies responsible for HIPPA implementation and compliance. It is planned that the remaining ½ year funding would be made available via the passage of SB 456 (Speier).

RESOURCES AND ENVIRONMENTAL PROTECTION

In January, the Governor proposed General Fund and special funds initiatives of \$5.5 billion for natural resources and \$1.5 billion for environmental protection. By the end of February, it was becoming increasingly clear that revenues would be flat due to a rapidly weakening economy. Expectations began to be lowered and the release of the May Revision indicated that that new initiatives and program enhancements would have to be dramatically reduced or even to wait for another day. Programs reduced in the May Revision were cut even further by the Budget Conferees. The one exception is CalFed, which received the full amount of bond funding proposed in January and all but \$17 million of its proposed \$98 million General Fund allocation. Much of the General Fund spending has been shifted to special funds or to Propositions 12 and 13; \$523.2 million for park projects and \$443.4 million for water projects.

- **CalFed – (\$571.9 million - \$81 million General Fund).** This program implements the provisions of the federal-state Record of Decision signed by then Secretary Babbitt and Governor Davis in the summer of 2000. Although the Clinton Administration committed to equally share in the costs of the program, there has not been a single dollar delivered for the federal share for Phase I. In the first year of Phase I, the state provided \$125 million in General Fund support and \$430 million in Propositions 204 and 13 bond funds. The 2001/02 budget provides \$81 million General Fund and \$316 million of bond funds. The balance will be provided by stakeholders and beneficiaries. Although there are two bills pending in the Congress, neither is a certainty for passage and the amount of federal participation, if any, won't be known until the federal budget is approved on October 1, 2001.
- **Clean Beaches – (\$33.8 million, \$1.6 million GF, \$32.3 million Proposition 13).** In January the Governor proposed spending \$100 million to assist local communities to abate their beach contamination problems. The Clean Beaches program was reduced to \$10 million in the May Revision. The original intent was to provide funding to local water treatment agencies to abate the dry-weather runoff believed responsible for much of the problem. Instead, the budget now authorizes funding for specific projects, not all of which are in compliance with the statutory requirements for the Coastal Non-point Source Control Program competitive grants authorized under Proposition 13. A cursory review of the carve-outs indicates that this funding is being used for playground equipment in the shape of a dead whale equipped with misters to keep children cool; the remodeling of a restroom and the animal proofing of garbage cans; and a water reclamation project clearly not authorized under the non-point source provisions. The budget will contain language that will require the State Water Resources Control Board to review all the projects scheduled for compliance with Proposition 13 before funding is provided.

<p>VETOED: Governor's reductions: Deleted \$1,363,000 General Fund for research projects. Reduced Proposition 13 allocations by \$4.5 million. He deleted funding for three projects, reduced funding for some others, but kept the carve-outs essentially intact.</p>

- **Drought Panel Recommendations – (\$10.5 million).** A new initiative in the May Revision, this program will provide grants to local governments to assist them in planning for extended drought conditions. With a water crisis looming on the horizon, local water districts believe that these grants are essential to be able to meet the public's needs when the next drought occurs.
- **River Parkways – (\$24.147 million GF, \$7.65 million Proposition 13).** The Governor proposed an allocation of \$60 million in January for the acquisition and restoration programs

for the Los Angeles, Tuolumne, San Joaquin, Sacramento and Guadalupe Rivers and \$10 million in resources opportunity funds for other high priority river parkway projects. The budget reduces the total funding by a little more than half, eliminates the unspecified opportunity funding and replaces it with allocations for the Otay River Parkway, the Upper Arroyo Seco Parkway and the San Lorenzo River Parkway.

VETOED: *Reduced the General Fund allocation by \$6 million for the Los Angeles River North, Tuolumne River Parkway, and the Otay River Parkway and revised the provisional language for the acquisitions connected to the projects. In addition, the Governor reduced Proposition 12 funding for acquisitions by \$4.2 million. With these revisions, the Governor stated that while these river parkway projects may have merit, he directed the Resources Agency to review and prioritize all river parkway projects prior to allocating the remaining funds in the River Parkway Subaccount of Proposition 13.*

- **Flood Control Subventions - (\$44 million GF).** The state's share of local flood control project funding has been reduced from the \$117.6 million proposed in the January budget to only \$44 million.
- **Permit Assistance Centers – (\$4.737 million GF).** Provides the Secretary for Environmental Protection with funding and positions to assist with the environmental permit requirements for power plant sitings.

VETOED: *Reduced the allocation to \$2 million. The Governor stated that this is a technical veto that will conform to legislative intent that reduced the funding for this program to \$439,000. The Governor sustained the 31.4 positions for the Permit Assistance Centers that were approved by the Legislature without funding. The Governor states that the power crisis makes this function essential and he disagrees with the action to delete the funding for the positions. These positions will have to be funded from existing resources, but the Governor has directed the Secretary to explore all appropriate means of supporting the Permit Assistance Centers on an on-going basis. This undoubtedly means that the 2002 budget will make up the deficit.*

- **Environmental Justice Air Emissions Program – (\$48 million GF).** A Conference Compromise was adopted to fund programs designed to offset the emissions from peaker and back-up generators that will be used to alleviate the state's power deficiencies. \$16 million will be allocated to local air districts to purchase new clean fuel school buses or for the retrofit of existing diesel school buses. \$16 million is to be used by local air districts to replenish emissions reductions achieved by the districts that were reallocated during 2001 to offset peaker plant emissions. Half of any remaining funds are to be allocated to benefit low income communities or communities of color that are disproportionately impacted by air pollution. \$16 million is provided to mitigate the emissions from diesel back-up generators. Half of these funds are to be allocated to low income and ethnic minority communities.
- **Zero Emission Vehicle Grants – (\$20 million MVA).** The legislature continues to fund the ZEV program in spite of the fact that most experts acknowledge that electric vehicles are first generation technology and will not be the answer to the cleaner vehicles that will be able to compete for market share in price and consumer satisfaction. To date, almost all of the electric vehicles on the road in California have been purchased by government agencies. One assumes that this is to create the illusion that there is indeed a market for these cars. \$10 million will be available for grants of up to \$5,000 per vehicle to reduce the cost of purchase. Since it is primarily state agencies and commercial fleets that are buying these cars, it raises the question as to whether the state is subsidizing itself. \$10 million is provided for grants of up to \$11,000 to subsidize the purchase of fleet vehicles. This is a thinly veiled subsidy of the US Postal Service delivery vehicles. The Postal Service is planning to convert to electric vehicles across the U.S.

The rationale for these subsidies is to encourage the Postal Service to place as many vehicles as possible in California with preference for communities disproportionately impacted by poor air quality. At the eleventh hour of the Conference Committee hearings, Budget Bill language was approved that, in essence, authorizes golf carts to compete for any grants, loans or rebates established by the Air Resources Board. The “Golf Cart” provision does not qualify for this ZEV funding, but for any other ZEV incentive programs sponsored by the Board.

- **Brownfields Urban Cleanup Insurance Program – (\$17 million).** In January, the Governor proposed a one-time General Fund allocation of \$40 million to establish a low-cost environmental insurance program to encourage developers to clean up underutilized contaminated urban properties. There is no General Fund spending for the insurance program. Rather the \$17 million is a transfer from the existing Cleanup Loans and Environmental Assistance for Neighborhoods Account (CLEAN) to the new insurance account. The CLEAN program was funded by the \$85 million provided in the Budget Act of 2000. In addition to providing a loan to the insurance program, the CLEAN fund reverted \$33 million back to the General Fund in order to score a savings. If the full \$17 million is utilized for the insurance program, which is unlikely, the CLEAN program will have a balance of \$35 million, not enough to meet the need. There is no provision in this budget act for repayment of those funds.
- **Forestry and Fire Protection –Emergency Response – Executive Order (\$8.7 million GF).** The Governor issued an Executive Order to respond to the 2000 fire season needs. The order calls for the reactivation of five northern California fire camps and restores the staff to man ten lookout positions.
- **Board of Forestry- (\$213,000 GF).** The Budget Conference Committee added budget control language that denies funding for the Board after January 1, 2002 unless the board certifies in writing that the existing interim forest practice rules relating to the protection of salmonoid fish species have been executed without reservation or qualification.

VETOED: *The Governor vetoed the budget language stating that it is the responsibility of the Administration and not the Legislature, to establish regulations governing forest practices.*

- **Urban Parks (\$15 million).** In spite of strong bi-partisan support to provide funding for the most underserved population in the state, high-density low socioeconomic communities, the Urban Parks program has barely survived the budget process.

VETOED: *The Governor sustained the allocation of \$15 million, one-time, from the Natural resources Infrastructure fund with expenditures contingent upon subsequent legislation that authorizes the Department of Parks and Recreation to establish guidelines for the allocation of these funds.*

- **Department of Parks and Recreation** –This budget allocates significant Proposition 12 funding for designated legislative initiatives and General Fund proposals that have been shifted to bond funding. Contrary to agreements obtained during the Proposition 12 negotiations, a majority of these funds are being allocated for new acquisitions rather than the management, development, and maintenance of existing park properties. The 2001 Budget Act contains only \$11 million for on-going maintenance funding. The consistent underfunding of maintenance results in the significantly higher costs of deferred maintenance.

VETOED: Reduced General Fund local assistance from \$43.3 million to \$25.066 million. The \$18.2 million reduction was achieved by deleting grants for some programs and reducing funding for others. Proposition 12 spending for targeted acquisitions was reduced from \$69.4 million to \$9.85 million.

TRANSPORTATION

The 2000 Budget Act created the Governor's Transportation Congestion Relief Plan and appropriated \$1.5 billion in General Funds to be allocated to his designated 141 projects, local streets and roads, STIP augmentations and public transit programs. Integral to Republican approval of the plan, the sales tax on gasoline was dedicated to the TCRP for the duration of the plan until 2006. Because of a weakened economy, the Governor's May Revision proposed to defer the dedication of the sales tax for two years and extend the TCRP until 2008. The sales tax revenues are estimated to be \$1.3 billion in 2001 and \$1.2 billion in 2002. The Governor's new proposal holds the local streets and roads funding harmless for the first two years by transferring unallocated funds from the State Highway Account. After two years, the sales tax dedication to transportation is scheduled to be reinstated. The difficulty presented by this scenario is that there is no guarantee against this deferral being reinstated each year if budget conditions warrant. In response to this concern the legislature placed a Constitutional Amendment on the March 2002 ballot to permanently dedicate the gasoline sales tax to transportation.

- **ACA 4**—In return for Republican support for the two-year deferral of the gas tax, the Governor agreed to support a Constitutional Amendment on the March 2002 ballot that will ask for voter approval to permanently dedicate all gasoline sales tax revenues to transportation programs beginning in 2003-04. Until 2008-09, the initiative will protect the existing Transportation Congestion Relief Program enacted in 2000. Beginning in 2008, the sales tax revenues will be allocated at forty percent to the State Transportation Improvement Program (STIP), twenty percent each to cities and counties for local streets and roads, and twenty percent for public transit programs. Annual revenues from the sales tax on gasoline average a little in excess of \$1 billion annually.

Rural Transportation Grants - (\$18 million PTA). This new program will provide funds for local transportation agencies to purchase, construct, and rehabilitate transit facilities, vehicles, and equipment. This funding is limited to rural areas that are typically underserved and underfunded in the normal allocation processes. By their very nature, rural areas typically don't provide transit services. The distances are too great and the populations too sparse to support traditional transit programs. There are no specific provisions in this program to provide services to the elderly or disabled who need transportation to medical and social services. The Budget Act contains the funding for this program but the Budget Trailer Bill, AB 437 was not enacted before the Legislature recessed. The bill is in the Assembly for concurrence and is expected to be taken up and approved when the Legislature reconvenes in August.

- **Port Access Program - (\$40 million SHA).** The Budget Conference Committee approved a new initiative to fund enhancements to the Alameda Corridor grade crossing project. Caltrans has proposed a minimal project that they have determined is sufficient to meet the immediate needs. The Alameda Corridor coalition believes that this world-class facility should have an expanded crossing to prevent gridlock and to allow for expansion. The Alameda Corridor plan when complete, will be one of the largest and most modern inter-modal transportation centers in the world. The compromise reached by the Conference Committee will provide that \$40 million be allocated to the project with the balance of the funding to be provided by local interests.

<p>VETOED: <i>The Governor deleted this provision and said that the state's commitment to the Alameda Corridor has been well demonstrated by the \$42 million provided in the ITIP and with the \$18 million from Proposition 116 funds, over eighty percent of the cost of the currently budgeted single grade crossing. The Governor directed the department to work with the project proponents to find a funding solution if a larger project is justified.</i></p>
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- **Transbay Terminal - (\$20 million SHA).** Another eleventh hour request was granted to provide \$20 million to the City of San Francisco for expenditure on the Transbay Terminal site. No details were provided, but funding was.

VETOED: *The Governor states that while there may be merit to the project, it should be considered in the context of other regional projects and available funding*

- **California Highway Patrol – (\$12.818 million MVA and federal funds).** The budget provides for an additional 63 uniformed officers to augment congestion relief operations in heavily urbanized areas. In addition, the budget provides six new officers to expand the El Protector program to provide driver safety information in languages other than Spanish for non-English speaking drivers, 10 new officers are to be added to the Farm Labor Vehicle Inspection and Certification program and 16 positions to augment the Motor Carrier Safety Unit.

VETOED: Farm Labor Transportation. *The Governor deleted funding for ten additional uniformed officers for the farm labor transportation safety program. Of the ten new officers funded in the January budget, five will be assigned to the Salinas Valley.*

Local Assistance Grants for Racial Profiling Data Collection. *Reduced the \$1 million appropriation by \$1,000 in order to delete provisions that requires new data elements to be collected when law enforcement makes traffic stops.*

TARGETED TAX RELIEF

Only because of strong Republican negotiations, the 2001-02 Budget contains several targeted new tax relief for the agricultural industry, rural areas, and senior citizens and the disabled. The 2001-02 Budget contains the following targeted tax relief items:

- ***Senior citizen and disabled property tax and renters assistance - (\$75 million).*** Permanently increases benefits provided under the existing senior citizen and disabled property tax and renters assistance program by 45%. Due to a drafting error, the increase in benefits must be rewritten in August to ensure that the legislation is consistent with legislative intent. Expanding the benefits by 45% would result in tax relief of \$75 million.
- ***Liquefied Petroleum Gas - (\$11 million - \$6.9 million General Fund, \$4 million local governments).*** Provides a sales and use tax exemption for liquefied petroleum gas (LPG) for people that are not served by gas mains or pipes and have a propane storage tank of 30 gallons or more and LPG used in producing and harvesting agricultural products. The effective date of the exemption would be September 1, 2001.
- ***Farm Equipment - (\$18 million).*** Provides a State sales and use tax exemption for farm equipment and machinery that are used for producing and harvesting agricultural products. The effective date of the exemption would be September 1, 2001.
- ***Forestry Equipment - (\$2 million).*** Provides a State sales and use tax exemption for forestry equipment used in commercial timber harvesting operations. The effective date of the exemption would be September 1, 2001.
- ***Diesel Fuel - (\$18.6 million – \$7.2 million Public Transportation Account, \$500,000 General Fund when the 1/4 cent sales tax takes effect on January 1, 2002, and \$10.8 million due to PTA transfer time lag.).*** Provides a State sales and use tax exemption for diesel fuel used in farming activities and food processing. These provisions shall be implemented as soon as possible, but no later than September 1, 2001.
- ***Racehorse Breeding Stock - (\$1.3 million).*** Provides a State sales and use tax exemption for all "racehorse breeding stock." The effective date of the exemption would be September 1, 2001.

2001 Targeted Tax Relief Actions (millions)

<u>Provision</u>	<u>2001-02</u>
Senior/Disabled	\$75 General Fund
LPG	\$6.9 General Fund
	\$4.6 Local Government
Farm Equipment	\$18 General Fund
Forestry Equipment	\$2 General Fund
Diesel - Farming/Food Processing	\$7.2 Public Transportation Account
	\$.5 General Fund due to 1/4 cent sales tax
	\$10.8 General Fund due to PTA time lag
Racehorse Breeding Stock	\$1.3 General Fund
TOTAL	<u>\$122.7</u>

Total Fiscal Impact:

General Fund	\$114.7
Public Transportation Account	\$ 9.2
Local Government	\$ 4.0

VETOED: The Budget Bill contained similar provisions establishing several tax rebate programs relating to the agricultural tax relief package that was contained in AB 426 and ultimately passed by the Legislature as a budget trailer bill. The provisions contained in AB 426 will take the place of the "Agricultural and Rural Relief Rebates" program.

GENERAL GOVERNMENT

- **Department of Housing and Community Development (\$113 million).** In 1998-99 HCD's General Fund budget was \$20 million. In 2000-01, HCD's General Fund budget was \$560 million. The 2001-02 Budget bill still contains a General Fund budget of \$113 million. For the most part, the programs that are funded subsidize housing projects for low-income people, which under most of the loan terms would keep the state in the housing development business for 55 years. The programs do not address the problem of increasing the supply of housing or removing the barriers to housing development. Republicans acknowledge the need for more affordable housing. However, we believe that the supply must be increased and the government barriers must be decreased.

VETOED: The Governor vetoed funding from several existing housing programs that had significant balances left over from the substantial funding the programs received in the 2000-01 Budget. All of the Governor's vetoes are from the augmentations made in the 2000-01 Budget. Specifically, the Governor vetoed \$4.6 million from the Farmworker Housing Grant Program, \$700,000 from homeless programs, \$8 million from low-income multifamily housing program, and \$1.4 million from the Downtown Rebound Program.

- **California Infrastructure Bank - (\$277 million).** The Budget Bill contains a transfer of \$277 million from the California Infrastructure Bank to the General Fund, leaving a only enough funding in the bank to address existing commitments in 2001-02. It looks as if the Governor and the Legislature have reversed a commitment to fund California's neglected infrastructure needs, and instead, fund more expansion of ongoing state programs.

- **Technology, Trade and Commerce Agency - (\$90 million).** The Budget Bill maintained the base funding levels of a variety of programs.

VETOED: Once again, the Governor took funding from last year's Budget. The Governor removed \$3 million from the "Next Generation Internet" project, \$1.9 million from the Manufacturing Technology Program, and \$8 million from the Film California First program.

- **California Arts Council - (\$72 million).** The Budget Bill almost doubles the Arts Council funding from \$38 million in 1999-00 to \$72 million in the 2001-02 Budget Bill. Significant funding for local art programs makes no sense when local governments do not have enough money to fund homeless shelters or police officers.

VETOED: The Governor vetoed \$3.5 million from various local art projects stating that the reduction in funding is due to fiscal constraints and limited resources in the General Fund.

- **Department of Industrial Relations, labor law enforcement - (\$5 million).** The Budget Bill goes way beyond what the Governor proposed by adding positions related to labor law enforcement activities. The Governor proposed making 39 expiring limited term positions to permanent. The Budget Bill adds 72 positions, on top of the Governor's proposal, at a cost of \$5 million for labor law enforcement activities. The significant increase in new positions is unnecessary when the Department has one of the highest vacancy rates in state government.

VETOED: The Governor vetoed \$3 million of the additional \$5 million that the Legislature put into the budget for labor law enforcement activities. The reduction of \$3 million, which was beyond what the Governor proposed in his budget, was due to the fiscal constraints and limited resources in the General Fund.

- **State Tax Collections - (\$7.6 million).** In an effort to increase the state's revenue the May Revision contained \$7.6 million for 123 new positions for the Franchise Tax Board. The Budget Bill contains the same provisions. The Governor is estimating that this proposal would generate revenues of \$53.8 million in 2001-02 and \$97.5 in 2002-03. If the Governor and the Legislature really wanted to generate more revenue from taxpayers, they should look at FTB's \$3.2 billion in uncollected revenue involved in "protest" cases. Some of these cases are over 5 years old. Resolution of these cases would result in approximately \$500 million to the General Fund in 2001-02.
- **Department of General Services (DGS).** The Budget Bill contains a Department of Finance letter requesting additional funding for moving expenses of several DGS offices from downtown to the Ziggurat building (Money Store) in West Sacramento. The cost to occupy the building in the first year is estimated to be \$10.6 million. This is a 59% percent increase in the current costs for space occupied by DGS. A major state agency consolidation effort was underway for the Capitol Park East End Project, which was where DGS was supposed to move to. However, once the Ziggurat building became available, it was determined that the East End Project was too crowded and DGS was the agency that would move out. Shortly thereafter, DGS signed a lease for the Ziggurat building, **without an option to buy**. DGS failed to provide any reasonable justification for their move to a very luxurious office building that features a four-story atrium, two-story entry, a theater, a fitness center, and a coy pond.
- **Department of Veterans Affairs Capital Outlay.** The Budget Bill contained several augmentations for capital outlay improvements to California's existing veteran homes in Yountville, Barstow, and Chula Vista.

VETOED: The Governor vetoed \$12 million in bond funds for the next veterans home located in Lancaster. The Governor states that the Veterans of Foreign Wars, AMVETS and the American Legion have urged him to move forward with building veterans' homes in Southern California that will better serve veterans in terms of location, services and resources. Each of these veterans' organizations has registered their strong support for the immediate construction of the Lancaster project.

However, he states that Lancaster does not meet the Blue Ribbon Task Force on Veterans' Homes criteria for proximity to a USDVA Medical Center and available nursing professionals. Lancaster is approximately 60 miles from a USDVA Medical Center and members of both the higher education and health care community in the Antelope Valley have clearly indicated their ability to successfully staff and support the home. In addition, it was the Governor's Commission on a Southern California Veterans Home that selected and subsequently reaffirmed the City of Lancaster as the next site for a veterans' home in Southern California.

- **California Consumer Power and Conservation Financing Authority - (\$10 million).** The Budget Bill contains a \$10 million General Fund loan to the power authority for start-up costs. These funds could not be expended until the Department of Finance approves an "operating and staffing plan" and a 30-day notice is provided to the Joint Legislative Budget Committee.
- **Special Fund Transfers - (\$65 million).** The Budget Bill raids various special funds for the purpose of adding money to the General Fund and allowing Democrats to spend more money on government programs that are unrelated to the numerous special funds that they raided. Special funds that were raided include the State Emergency Telephone Number Account, Business Reinvestment Fund, Export Finance Fund, and the Harbors and Watercraft Revolving Fund.
- **State Controller.**

VETOED: The Governor vetoed \$941,000 General Fund and \$2.2 million in reimbursements from the State Controller's budget's by eliminating 54.6 vacant positions. This action follows upon an extensive discussion of the phantom position problem this year, with the Administration refusing to eliminate any of the existing 9800 phantom positions, positions that were documented and verified only with the assistance of the State Controller's Office.

PUBLIC SAFETY

Given the state's worsening fiscal situation, the public safety area fared well this year. With the exception of cuts to the COPS and the High Technology Grant programs, which were more than offset by new additions, the public safety area received few cuts.

- ***Additional DNA Laboratory Space - (\$4.7 million GF).*** The uses and benefits of DNA evidence in court cases and criminal investigations is now more clear than ever. In order to meet the demand for additional services, the Department of Justice will receive \$4.7 million to expand facilities in the city of Richmond, maintain existing sites, and develop a new laboratory. The Budget includes \$2 million for lease and improvements of the new site, which will accommodate positions requested in the Governor's Budget. Eventually this site is intended to replace the Berkeley DNA Laboratory.
- ***Energy Investigation and Litigation - (\$5.4 million GF).*** The Budget includes \$5.4 million for the Department of Justice to litigate and provide legal advice to the Governor regarding the current energy crisis. The goal of this Energy Task Force is to restore competitive markets and reliable energy supplies on a long-term basis.
- ***Sexual Predator Apprehension Teams – (\$2.8 million).*** The Budget contains funding to expand Sexual Predator Apprehension Teams into Orange and San Diego Counties. This would help these large counties monitor the approximately 16,000 registered sex offenders located in these two counties.
- ***Plata V Davis - (\$6.9 million GF).*** The Budget includes \$6.9 million for the Department of Justice to begin settlement in one class action lawsuit. This particular case was filed on behalf of 9 prisoners challenging the constitutional adequacy of the CDC medical care system under the 14th and 8th amendments. The action also asserts that the medical system denies prisoners with disabilities access to programs, services, and other activities in violation of the ADA. Recent information suggests that it will be far more costly to litigate this case, than to settle.
- ***Fixing the Capitol - (\$870,000 GF).*** In an attempt to recover some portion of the \$16.5 million in damage caused to the State Capitol Building during the January automotive incident, the Budget includes \$870,000. This funding will be used by the Department of Justice to retain specialized consultants and counsel that will negotiate and/or litigate potential payments from insurance companies to cover the cost of repairs.
- ***Elder Abuse and Medi-Cal Fraud Program - (\$1.4 million GF).*** The Budget includes \$1.9 million for the Department of Justice to extend the existing program for an additional 24 months. This would allow the DOJ to investigate abuse, neglect, and poor patient care in skilled nursing facilities, along with continued efforts to prosecute elder abuse cases in the California.
- ***Earthquake Monitoring Equipment - (\$6.8 million GF).*** The Budget includes \$6.8 million for the Office of Emergency Services to maintain and expand the Tri-Net Seismic Network. This funding would allow the OES to purchase the additional equipment needed to expand the existing southern California system into a system serving both northern and southern California.

<p><i>VETOED: The Governor reduced this Augmentation by \$2.9 million, leaving \$3.9 million to maintain the existing system and expand to new locations.</i></p>

- **Corrections Cadets Receive Salary Increase - (\$5.8 million GF).** The Budget includes \$5.76 million for increased cadet salaries. This will raise salaries from \$8 per hour to \$13 per hour in order to make the position more competitive with similar law enforcement academies. It is hoped that the increase in salary will allow the department to boost recruitment and retention efforts for new correctional officers.
- **Power Generation for Prisons - (\$4 million GF).** The Budget includes \$4 million in ongoing funding to support the maintenance and repair of emergency generators to assist the state's efforts to reduce electrical load on the grid and the threat of rotating power outages.

VETOED: The Governor deleted \$4 million augmentation associated with the retrofit of backup electrical generators at CDC institutions because the retrofit will not take place this year and therefore funding is not necessary.

- **DNA Sampling for Inmates - (\$1.8 million GF).** The Department of Corrections will receive \$1,753,000 for record searches, DNA collection, and palm print identification for specified inmates. This will allow the department to comply with mandates involving post-conviction testing and expand current programs to input samples into the DOJ database.
- **Faulty Prison Construction Costs Taxpayers Millions – (\$33.5 million).** The Budget includes \$33.5 million for the Department of Corrections to replace or repair electromechanical door systems located inside various institutions. Due to age, wear, lack of maintenance, and in many cases improper installation cell doors have become unsafe or unsecure. This funding would enhance safety for officers and inmates inside secure institutions by replacing parts and training staff on proper use/ maintenance.
- **CDC seeks to address BSA Audit on Leave Practices – (\$36.6 million).** The Budget Bill contains \$36 million to address deficiencies in the Department of Corrections resulting from the improper budgeting of sick and vacation leave which has resulted in high overtime costs to backfill requests for leave by correctional officers. This is intended to address a 1999 audit by the BSA that identified numerous problems with the departments leave policies.
- **CDC Boosts Substance Abuse Efforts to Open New Prison – (\$3.9 million).** The Budget includes funding for the Department of Corrections to implement 500 new drug treatment beds. The opening of the new prison facilities at Delano II, authorized by AB 1535 (Flores) in 1999, is contingent upon the operation of 9,000 therapeutic drug treatment slots beds. This expansion would bring the total number to 8,514.
- **Youth Authority Deferred Maintenance - (\$5.9 million GF).** The Budget includes \$5.9 million for seven critical deferred maintenance projects including electrical panel, water wells, steam lines, and electrical wiring. The department currently has an estimated \$75 million backlog of deferred maintenance. These seven are believed to be the most critical.

VETOED: The Governor reduced this item by \$935,000 leaving \$5 million to fix the seven projects. It is unclear at this time which projects will not be completed.

- **The War on Methamphetamines - (\$30 million GF).** The Budget includes \$30 million for the expansion of the Central Valley High Intensity Drug Trafficking Area. The plan includes \$15 million for ongoing support and \$15 million for equipment grants. This grant would augment the existing program providing needed resources to Central Valley law enforcement.

- **State Cracks Down on High Tech Crime – (\$7.6 million).** The Budget provides an increase in funding for the High Technology Theft Apprehension and Prosecution Program. This program provides training and personnel to combat the increasing frequency of hi-tech crimes such as identity theft and piracy, which cost the state an estimated \$8 billion in private sector revenues, wages, and lost jobs annually.
- **Local Law Enforcement Grants for Rural and Small Counties - (\$18.5 million GF).** The Budget includes \$18.5 million for law enforcement in 37 small and rural counties. These counties, with a population less than 255,000 persons, would each receive an ongoing appropriation of \$500,000.

VETOED: The Governor deleted the one-time \$18 million grant contained in the Budget Act because it is duplicative of funding contained in AB 443 (Aanestad). Without this reduction 36 of the counties would receive \$1 million in the first year.

- **Law Enforcement Training Centers - (\$5 million SF).** This augmentation would provide funding for three regional training centers. Each center will receive \$1.6 million from the POST fund for construction or modification of regional training centers. These centers will be located in Los Angeles, Orange, and Sacramento Counties.
- **Local Forensic Laboratories - (\$25 million GF).** This Budget includes \$25 million for the construction and renovation of local crime laboratories. Current estimates suggest a need of nearly \$200 million. These needed resources will be distributed through a competitive grant.

VETOED: The Governor deleted language that would have set aside 25% for counties already engaged in the construction of a forensic laboratory.

- **Equal Access Fund - (\$15 million GF).** The Budget includes \$14.2 million for the Equal Access Fund. This fund provides legal services for an estimated 7.2 million persons in California who are unable to afford them.

VETOED: The Governor deleted \$4.7 million from the Equal Access Fund citing the softening economy and a substantial revenue decrease.

- **Judicial Management Systems Funded - (\$1.5 million).** The May Revision includes \$1.5 million for the implementation of a standardized financial management system for the trial courts. This will allow the courts to comply with the Lockyer-Isenberg Trial Court Funding Act of 1997, which requires the courts to sever their business and computer services relationships with the counties.
- **Security Negotiated Salary Increases - (\$4.8 million).** The May Revision proposes \$4.8 million to support negotiated salary agreements for court security personnel. Negotiated Salary Increases will allow the courts to continue existing security services and provide increased security where necessary.
- **Courts Pay for Protection – (\$22.6 million).** The Budget includes \$22 million for increased costs in security contracts. Currently the Courts may only contract with the County Sheriff for security.

- **Budget Trims COPS/ Juvenile Justice Programs – (\$232.6 million).** The COPS/ Juvenile Justice Program was reduced by \$10 million despite a 2-year agreement reached last year. This leaves \$232 million (\$116.3 million each) for the two programs.
- **High Tech Grants – (\$35.4 million).** Local law enforcement agencies will be on the receiving end of \$35 million in grants for high technology. This includes a \$30,000 minimum grant to all counties and local law enforcement agencies.
- **Local Projects – (\$25.5 million).** The Budget includes \$25.5 million for various local projects.

<p><i>VETOED: The Governor completely deleted \$19.1 million from 60 local projects and reduced another 18 by \$1.5 million.</i></p>
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